RATING RATIONALE **17 July 2020**

SAI OVERSEAS

Brickwork Ratings reaffirms the rating for the Bank Loan Facilities of ₹ 14.92 Crores of Sai Overseas.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May, 2020)	Present
Fund Based	10.60	10.92	Long Term	BWR B+ (Stable) Issuer Not Cooperating# (Reaffirmed)	BWR B+ (Stable) (Reaffirmed)
Non Fund Based	4.60	4.00	Short Term	BWR A4 Issuer Not Cooperating# (Reaffirmed)	BWR A4 (Reaffirmed)
Total	14.60	14.92	INR Fourteen Crores Ninety Two Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities is provided in Annexure-I
#Issuer did not cooperate, based on best available information.

RATING ACTION / OUTLOOK : Stable

BWR has reaffirmed the rating at "BWR B+ Stable/BWR A4" for the bank loan facilities of Sai Overseas (SO).

The rating draws strength from the experienced partners of the firm. However, the rating is constrained on account of risks associated with partnership concern, and modest scale of operations.

The rating outlook has been assigned as "Stable" as BWR believes that SO`s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case there is improvement in revenues and profit. The rating outlook may be revised to 'Negative' if there is any deterioration in financial risk profile.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Promoters:** The partners have combined business experience of over 40 years. This enables them to successfully navigate the business during a crisis and negotiate better terms with the suppliers

Credit Challenges:

- **Modest scale of operation:** In the year 2018 the firm reports a sale of Rs 4.08 crs and a PAT of Rs 0.03 crs, although a substantial increase was seen in FY 19 wherein the sales was reported at Rs 14.57 crs and PAT at Rs 1.13 crs the scale of operation remains modest.
- **Risks associated with partnership concern:** Given the partnership nature of the firm's constitution, there is an inherent risk of possibility of withdrawal of partner's capital for any personal contingency that could adversely impact the capital structure of the firm.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance . BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the firm to improve its financial risk profile and maintaining adequate liquidity will remain the key rating sensitivities.

Positive: The rating may be upgraded if the company interalia, is able to improve its topline, improve its profit or on account of any other favourable factor.

Negative: The rating may be downgraded if inter alia, there is any deterioration in financial risk profile, fails to maintain adequate liquidity or on account of any unforeseen unfavourable events.

LIQUIDITY POSITION : *Adequate*

The company has liquid investments in the form of FDR of Rs 1.94 crs and cash balances in FY19 is Rs. 0.38 crs. The CC Utilization for a period of 7 months from Dec, 2019 to June, 2020 stands at 97.92%. Conversion Cycle is at 20 days in FY19. There is a LTB of 9.68 crs in FY 19, it includes term loan of Rs 7.84 crs and unsecured loans from partners of Rs 1.83 crs.. The company has a DSCR of 0.96x & ISCR of 2.12x in FY19. Current ratio of the company stands at 1.33x in FY19. There is no subsidiary/associate.

COMPANY PROFILE

Sai Overseas is engaged in the manufacturing of textile products (mainly home furnishing products) such as carpets, floor rugs, bathmats & towels etc at its manufacturing facility located at Karnal, Haryana. The firm majorly exports to wholesalers based in the USA, UK & Dubai.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 2019	FY 2018
Result Type		**Audited**	**Audited**
Operating Income	₹ Cr	14.50	4.01
EBITDA	₹ Cr	2.75	0.32
PAT	₹ Cr	1.13	0.03
Tangible Net Worth	₹ Cr	6.78	4.83
Total Debt/TNW	Times	1.77	2.58
Current Ratio	Time	1.33	1.43

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : Nil

RATING HISTORY FOR THE PAST THREE YEARS [including withdrawal and suspended]

Facilities	Current Rating			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2019	2018	2017
Fund Based	Long Term	10.92	July,2020 BWR B+ (Stable) (Reaffirmed) May, 2020 BWR B+ (Stable) Issuer Not Cooperating# (Reaffirmed)	BWR B+ (Stable) (Assigned)	NA	NA
Non Fund Based	Short Term	4.00	July,2020 BWR A4 (Reaffirmed) May, 2020 BWR A4 Issuer Not Cooperating# (Reaffirmed)	BWR A4 ((Assigned))		
Total		14.92	INR Fourteen Crores Ninety Two Lakhs Only			

#Issuer did not cooperate, based on best available information.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Services Sector

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Sai Overseas

ANNEXURE I

Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
Canara Bank	CC	2.00	-	2.00
	TL	6.59	-	6.59
	FDB	-	2.00	2.00
	Packing Credit	-	2.00	2.00
	Working capital demand loan	2.33	-	2.33
TOTAL				**14.92**

INR Fourteen Crores Ninety Two Lakhs Only

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